

Red Clay Community Financial Review Committee
Monday, November 8, 2010

Meeting Minutes:

The Community Financial Review Committee met on Monday, November 8, 2010 at 6:30 PM in the Brandywine Springs School Teachers Lounge.

Members in Attendance:

Jane Rattenni – Committee Chair
Jill Floore– Red Clay Chief Financial Officer
Bill Doolittle – Community Member
Les Hendrix – Community Member
Larry Miller – Community Member
Kim Williams – Board of Education

Others in Attendance

Jack Buckley – Board of Education

I. Introduction and Opening Comments:

Ms. Rattenni opened the meeting and welcomed the new members of the Committee. After a review of the October meeting minutes, Mr. Miller moved to accept them as written and Ms. Williams seconded.

II. Financial Reports

Ms. Floore distributed the financial reports for review. Per the committee's request, Mr. Loftus has reformatted the report. It now includes the FY2010 expenditures information, so the print is very small. For comparison, the 2010 number does not include encumbrances. In order to compare all categories, Ms. Floore asked if it would be helpful to send the monthly report from the prior year along with the report from the current year prior to meetings in the future. It was agreed that would be helpful to the committee.

Ms. Floore pointed out the largest discrepancy in the report compared to last year is in taxes. This year, we received our September taxes on November 1- or the actual day it was posted to the financial system. Normally, you would see a significantly higher figure for October. On November 1, \$48 million posted. While it affects the reports, it did not have a financial impact for the district as we were working from a remaining balance. The committee has discussed the need to have this balance in the past, but none have been related to the receipt of late taxes. Based on the timing of the warrant due to the county on the second Thursday and where it falls, this may happen again next September because tax bill will go out later than normal. Mr. Buckley asked when the last paycheck went out. That was November 5th covering the weeks of October 11th through October 22nd as we are paid for the 2 weeks prior to the current pay cycle. Mr. Buckley asked if we had to go further into November without those taxes, would we have made the

payroll. Ms. Floore explained, yes we would have. Even if a district couldn't make it, she indicated there would likely be a provision to work with the state for a float loan. There is a provision that lets school districts float the salaries. The four districts of Red Clay, Brandywine, Christina and Colonial differ as we are part of the tax pool and do not receive the monies direct from the County. In reviewing FY10 numbers and comparing it to the November deposit of \$48 million, we are up as an overall net due to the 5 cent increase of the referendum. When we review the report for November, the taxes will then be included, but we will also have spent some of it as well.

The other revenues are where we expect to see them at this time. CSCRP (expenses that are Medicaid eligible) was only at 16%. The collection process is very cumbersome. There are DOE staffs that are dedicated to this process of data collection. It is not surprising that at this time of year, that number would be low. Income from fees is something that regularly tracks throughout the year. State appropriations reflect the beginning of the year preload which is typically around 75% of the prior year's allocation.

On the expenditure side, four months into the year, we're where we expect to be. Per the Committee's request we now target both high and lows of the expenditures. 33% would be our estimated target. Mr. Hendrix asked if special education always runs so far behind. Ms. Floore stated yes, our most complicated programs are the ones with multiple funding sources. Special Ed has tuition funds, federal funds and local and state funding. At this time of the year it directly relates to the expiration of those funding sources. The timing and expiration of the funds differ. We are trying to spend down last year's federal grant. We then go to this year's local funds and the FY11 grant.

Student Services is Burtie Watson's budget. His budget supports graduation, so his expenditures don't happen until the end of the year. Mr. Hendrix asked about curriculum & instruction. Ms. Floore said that is not the building budget but what the curriculum department spends. They have huge expenditures as they buy book series and textbook adoption. They will come and make a presentation to this Committee in the future. They pay EPER (extra pay for extra responsibility) for teachers who have training and/or extra responsibilities. You'll see them paid as specific times of the year. Dr. Broomall is in charge of this area now. He is reviewing the overall curriculum budget and how it aligns to the strategic plan. At the same time, schools do buy consumables such as math workbooks. Ms. Williams stated that curriculum council is looking to adopt a new high school math program. This will amount to hundred of thousands of dollars. Ms. Floore stated that this program has changed greatly as it was decided as a high priority with the referendum. Each year there will be a new adoption.

Last month there was an insurance payment that was coded incorrectly. It was coded to the finance budget rather than district wide services as Ms. Floore is in charge of the insurance budget. It has been corrected.

Another concern is because of its size is salaries. If you look at Division 1 salaries is at 37.5% compared to last year was 34%. This percentage is a large dollar amount and has

impact. Last year we had Minner reading teachers out of state stabilization funds. In the staffing process this year, due to stabilization and ARRA funds we were able to support staffing in the schools equal and or greater than last year. One of the financial decisions made was regarding the academic excellence units that are usually cash in. This year we used those. With that comes the state side of the salaries. You would then expect state size of the salaries to be higher. Also, the state put back the 5 days from 2 years ago which also increase overall salaries.

The same explanation is not true for local side. We had 39% vs. 25% from last year. We have put back the 5 days from 2 years ago. We are expending more local for those positions. For, say, 18 positions, we have state & local sides to the salary. However, the single largest item is the number of teachers. Minner teachers are now RTI teachers and funded out of state stabilization funds. Because of the payroll system, they are being coded to local salaries. This was not intentional. The combo codes no longer exist, so we will have to change that coding to state stabilization funds. From a different perspective, both are discretionary funding sources. There will be movement between coding of salaries as these issues get ironed out.

Mr. Doolittle asked how much impact was felt from more units being allotted to the schools. Ms Floore stated we are at 989 teachers and last year we were at 977. Mr. Buckley reiterated, 12 units plus 15 academic excellence that are not cashed in as we did last year. Ms. Floore stated we are cashing in 3 units. Mr. Buckley explained that looks at local share for 27 teachers that were not in the preliminary budget and whether that will affect the final budget. Ms. Floore explained that she doesn't believe it will have a significant impact as the final budget also trues up actual salaries for the year. The median teacher salary has dropped to Masters +8 this year. The salary is lower due to the turnover to newer teachers.

Ms. Floore explained that in the past you could identify someone who was incorrectly coded. You could add up their salary from when they began to the time they were wrong. You would move the money from one line to another. You did the correct thing but the translation was lost. With the new PFA process, the payroll record is changed permanently. This is an enhancement over the old system. The history is now there and correct. Mr. Hendrix asked if there was an audit control function to see what was changed and when and is someone looking at that on a regular basis. Ms. Floore stated that the system is designed to go through levels of approval before the correction is made permanent.

Looking at school based intervention, Mr. Hendrix stated it looks like everyone was well behaved and no intervention was necessary. These are generic operating units. Every district has the same list which to choose from. That one is school improvement grants. The district just submitted the applications for the 10 schools. We have not received approval or money on the grants. The money is tied to Adequate Yearly Progress (AYP). They used to be \$50,000, this year it is about \$30,000. We anticipate the funds. We are still spending their funds from last year. The period of the grants can vary.

Mr. Hendrix asked who was responsible for the spending at the schools. Are there any problems with the principal's going over budget with their school line funding? Ms. Floore explained that Sam Golder is the director of School Operations. When the principal makes a requisition for purchase, it is routed from the principal to Sam Golder, or if it's Title 1, Malik Stewart. Sam Golder, along with the business office, monitors the school budgets. The staff gets the same report that you are looking at. There are many things in the new system we and the schools can view that in the past we could not. It is all security driven. Principals can see their budgets only. But the schools are held responsible for their budget. Ms. Floore is looking at coding of expenditures while Mr. Golder is looking at what they are buying. There are always two people in the business office reviewing expenditures as well as two people on the program side, the principal and their supervisor. Mr. Hendrix also spoke to the fact that some principals have spent more on their budgets than others. Ms. Floore stated that there are many funding sources they may be using prior to their school budget. She stated Title I schools are the best example.

Ms. Williams questioned Stanton's expenditures. Ms. Floore stated that there was a change in staff. The system is driven by security. When the staff changed, the ability to approve the requisitions were held up in the change and had to be recreated. This is a very unusual circumstance. Brandywine Springs had similar problems. When you change the system, you change things going forward. The requisition demands quantity to amount. If you go in and change it, the system was recreating new purchase orders instead of changing current ones.

Ms. Williams asked about legal services. Ms. Floore stated that we are paying from the purchase order from last year. We encumbered the funds prior to July 2nd and the money carried over. The other area we have with that is energy. We were counseled to close as many encumbrances as we could but others were "crosswalked" to this year's system. Any purchase order of \$1,000 or less was closed. Mr. Hendrix asked if in the transition, legal and energy is spending last year's encumbrance, how much of our encumbrance is left on June 30th. Ms. Floore stated that she can tell you that every year. Debbie Roberts sends a schedule of encumbrances to every program manager to monitor that. With encumbrances, the rules vary by funding sources. With state funds, you encumber it, and you must spend it as encumbered. If you un-encumber the funds, they revert back to the state. Federal funds are on a reimbursement basis nightly. With local funds, it goes back into the local fund.

Mr. Hendrix asked if the schools could be filtered differently on the reports. Ms. Floore explained that the reason is that it mirrors the budget. Placing all of the schools in one section. Mr. Buckley stated that it is done this way to compare year to year. Mr. Hendrix asked if it could be largest/highest expenditures to lowest. Ms. Floore stated that it once followed IBU order. But now that has changed it may make sense to reorder the placement in the budget.

Ms. Williams asked about district budget. The District Offices moved to Baltz is in the new handout. Mr. Hendrix stated that we are over budget. Ms. Floore explained that

some of those improvements done should have been placed in the Baltz budget rather than the district move.

Ms. Williams had someone ask her about Lewis being painted and Conrad having dugouts put in. Ms. Floore stated that there are two funding sources. The maintenance budget and minor capital improvement. It depends on the size and scope of the project. Painting is typically out of maintenance. Marcin Michalski oversees these projects. Sometimes gate receipts also cover field improvements. Start up money could be also. School budgets are instructional budgets. High school budgets also include athletics.

Ms. Williams asked what is the process for school building improvements? Ms. Floore explained that we have regular maintenance contracts involving elevators, security, pest control, grass cutting, etc. Once you go through those you can see what remaining funds are left for maintenance. Mr. Michalski's staff goes through the buildings to see what is needed and prioritize. We also leave a portion of the funding for emergencies (for boilers, pipe burst, etc.). The contingency fund is also a support of maintenance. Sometimes the requests to schools are denied.

Mr. Hendrix asked if Technology was along the same lines as curriculum. Ms. Floore explained that the schools have to submit plans to Technology. Mr. Ammann was in charge of technology and is now an Assistant Superintendent. Mr. Ammann is training a new technology manager. Last year there was a referendum technology but it did not have its own line of coding. Last year it was called Tech Replacement IBU 58.

Mr. Hendrix asked if transportation was in line with what it should be. Mr. Floore explained that the two lines are tracked together as a total.

District wide services have a specific breakout on page 9. Ms. Floore gave a handout on charter and choice. The first page is local expenditures per pupil. The state takes every district's data and divides it into local per pupil. How each district spends is recorded by category. What each district spends per pupil differs. It is driven by this year's unit count (a draft is on the last page of the packet). Ms. Norris is challenging 4 more students so this is not a final formula. This feeds how our charter bills and choice bills are calculated. These are not final numbers. We are still challenging some students. We are in the dispute period. This is not a report for a charter school, but a report for Red Clay and what we owe and how the bills are derived. Mr. Buckley would like this to be in the BOE packets as background information. When discussing choice bills, everything is based on a district's local per pupil. For choice, if our local per pupil is \$3,000 and another district's is \$4,000 we only send our \$3,000. However, if we send a student to a district that is \$2,000, we only send them \$2,000 but we send the difference of \$1,000 to the state. In either case, we spend the amount of our local per pupil, or \$3,000. The state collects all of the money of overages and they divide it up and send it back out but there isn't enough to make the districts whole. This is the reason we pay choice bills by net.

Ms. Williams stated that if we take in so many of Christina students, we're receiving less money from Christina but its costing the same to education them, then we could lose a lot

of money from them. Ms. Floore stated it depends. If those extra students are spread out and don't change the number of teachers needed for a class, it doesn't make us spend additional resources. However, if that student puts a class over and another teacher is required, than it will have a direct impact. Mr. Hendrix asked what happens if Christina chooses a full day kindergarten student when they have half day. Ms. Floore stated that we would get the full day cost.

In reviewing tuition programs the committee may notice regarding the receipt of taxes though not quite as drastic a swing. This will also show in the November reporting.

Mr. Doolittle asked how the new regulations for minor cap will affect ours projects. Ms. Floore has not seen it. Mr. Doolittle stated that more items will be able to be considered minor capital improvement. Ms. Floore stated that even if we have more flexibility, we more than likely will not change how we spend it, there's just never enough. Mr. Miller stated that we always have a backlog of projects. At the college he has \$35 million in backlogs so it won't change how the money is used.

In reviewing the federal grant summary, Ms. Floore pointed out that we have some grants that are expiring. IDEA B is one. We have salaries that were charging to the incorrect operating unit. Next month that should be corrected. We use these reports when discussing the budgets with the program managers. Ms. Williams asked if all of the money listed needs to be spent by the end of the year. Ms. Floore stated it has to be encumbered by the end of the year. Over November we will be sitting with each program manager. Debbie Roberts is leading those meetings. Mr. Hendrix asked about IDEAB. Ms. Floore stated that you can never go over 100% because it is a reimbursement basis. Ms. Floore will have a report in April for the CFRC to give a line by line of how each federal line was used.

III. OLD BUSINESS

In discussing our Committee's plan for the year, we will have presentations. Irene Hills will come to the next meeting to present on Race To The Top. The final budget will be in January. And in February we will have a presentation from Transportation. For the next three months we can look at others.

Mr. Buckley asked about state required financial training. That is being coordinated by the Department of Education and Ms. Floore will let members know when it is scheduled.

Ms. Rattenni questioned the CFRC make-up. Lynn McIntosh attended last meeting and expressed interest in joining the committee. The bylaws were distributed in the packets to review if community members could be added. Ms. Rattenni stated that in section 3 the specific language was from the initial startup. As Ms. Rattenni reads it, she doesn't feel a specific number was written. There are no numbers under eligibility. Mr. Miller asked what was the intent of the Board. Mr. Buckley stated they wanted certain factions represented. Because we have 4 people from those groups, he assumed it was in the bylaws. Mr. Buckley asked that he be informed if Ms. McIntosh wants to join. He will

inform the Board that there are no restrictions in our bylaws that they can approve. Ms. Williams questioned the language in voting. It was decided that it was written in a certain language due to the initial membership. Mr. Buckley asked Ms. Rattenni if Ms. McIntosh wanted to be named at the next Board meeting. Ms. Rattenni will ask her and report back.

Mr. Hendrix asked how we publicize the meetings. They are on the website, announced at the Board meetings. They are not posted in the schools.

Mr. Buckley received an email and Ms. Williams received a call regarding Red Clay checks. The state legislature passed a law that all school districts would post financial transactions online. That is maintained by the Division of Accounting. It's only the expenditures, not paychecks. There is a link to it from our website. You can sort any payment made from any state agency. The question was, why wasn't it updated. Ms. Williams stated that the information is now up and running. The state handles this function, not Red Clay.

IV. Public Comments

There were no public comments at this time.

V. Announcements

The next CFRC meeting will be held Monday, December 13, 2010 in the Brandywine Springs Teachers Lounge at 6:30 PM.

VI. ADJOURNMENT

The meeting adjourned at 8:29 PM.

Respectfully Submitted,

Laura Palombo

Recording Secretary